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DEVELOPMENT OF THE LAMB EXPORT MARKET IN KOSOVO

KOSOVO CLUSTER AND BUSINESS SUPPORT PROJECT



26 February 2006

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DEVELOPMENT OF THE LAMB EXPORT MARKET IN KOSOVO

AN ASSESSMENT OF THE ACTIVITIES SUPPORTING THE
EXPORT OF LAMBS AND RECOMMENDATIONS FOR TASKS TO
REMOVE THE BARRIERS TO TRADE

Kosovo Cluster and Business Support project “Development of the Lamb Export Market in Kosovo”
Contract No. AFP-I-00-03-00030-00, TO #800

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PURPOSE OF ASSIGNMENT

The purpose of the assignment is to assist the KCBS sheep specialist in developing the lamb export market. The consultant assessed the activities that have occurred since the first consultant's investigation was completed in October, 2005. The consultant provided guidance in further development of the sheep industry with particularly emphasis on the export market.

BACKGROUND

In an initial visit conducted in October, 2005, the consultant investigated the opportunities for the sheep industry in Kosovo. The consultation resulted in a detailed work plan for the development of the sheep industry. The work plan recommended tasks to improve the domestic production capacity, as well as, opening the trade links to a few countries in the region.

Previously, Kosovo had a large flock and sheep were shipped to other states in the former Yugoslavia Republic. Since the breakup of Yugoslavia, lamb exports have been restricted because of non-tariff trade barriers (NTB). Health conditions in potential importing countries do not differ from conditions in Kosovo so trade should not be restricted as it is currently.

Trade in sheep is occurring through informal channels to neighboring countries. Private traders are active in Kosovo purchasing sheep and illegally exporting animals. This trade is unofficial as livestock exports are presently not officially permitted to enter neighboring countries.

The potential for lamb exports is estimated to be good. The world trade in sheep meat is increasing. Greece and Italy have a preference for Kosovo's lambs which are young and light weight (less than 10 kg carcass weight is preferred.)

Macedonia and Bosnia-Herzegovina (BiH) are two markets receiving the most focus of efforts. Both have a demand for lamb that is greater than their domestic supplies. Consumers in both markets recognize the quality of Kosovo lamb called Sharri lambs from the Sharri Mountains of southern Kosovo.

The KCBS sheep specialist has been successful in introducing the Sharri Prime Lamb program to producers in 8 municipalities in southern Kosovo. Eighty producers have been recruited and have been organized into five groups. Each group elected a lead farmer. Producers have received training in animal health and livestock management practices.

EXECUTIVE SUMMARY

When Kosovo was part of the Former Yugoslavia Republic (FYR) sheep were mainly destined to slaughter plants in Macedonia and, from there, meat was exported throughout the region or to the EU. With the break-up of the FYR and the closure of the borders, Kosovo sheep industry declined precipitously to currently less than 100,000 head. This is a case of markets lost through the erection of non-tariff trade barriers (NTB) and political instability in the region. These trade impediments prevent the sheep industry from expanding.

The current situation finds Kosovo's lamb being exported through unofficial channels by traders. Lambs are crossing the common border with Macedonia when sheep are in the high mountains. The other route is for traders to take Kosovo's lambs to Serbia and from there into Bosnia Herzegovina (BiH). The illegal trade prevents the Kosovo government from inspecting animals. Furthermore, producers are likely to receive a lower price than what would be paid for these lambs if the border was open and prices were transparent.

The free trade in lambs would stimulate the dormant sheep industry. It is unlikely that the national flock would reach its former size because of redistribution of household labor to other farm and non-farm enterprises. For households with a long tradition in producing sheep, they would likely expand their flocks. For this reason, importing countries, particularly Macedonia, should not view Kosovo as a threat to their domestic sheep industry.

KCBS staff, with assistance from a local short term-technical advisor (STTA), have established a core of 80 producers in 8 municipalities. These producers offer the opportunity for necessary development of the sheep industry for exports. The group is loosely formed, but it is recommended that more structure be given starting with a recognizable name like Sheep Producers and Exporters Association of Kosovo (SPEAK). This group needs to focus on opening the borders for the export of lamb and lamb products by regular communications with the Kosovo Veterinary and Food Agency (KVFA) and other agencies.

An immediate task for the KCBS project is to improve the productivity of the flocks registered to participate in the Sharri Prime Lamb program. The 80 initial flocks need to be identified and registered under the direction of the KVFA. The lambs destined for export markets will have to be identified in the next month and be ready for any required serological tests. The identification and registration (I&R) of these flocks will help in establishing the baseline data needed for the KCBS sheep specialist.

Market and trade initiatives need to be pushed aggressively on several fronts so that lambs can be exported in 2006.

➤ **Kosovo market:**

A proposal for a pilot program for domestic marketing of lamb has been submitted to the Market Support Project funded by EAR. The pilot program will address opportunities from promoting lamb from the "farm to fork" in Kosovo. Participants in the program would be sheep producers with large flocks who have butcher shops and restaurants. The concept is to get key market participants to test product, pricing, promotion and distribution interventions to encourage increased consumption of lamb.

A livestock and meat trade team needs to be created. The trade team will consist of representatives from the Ministry of Agriculture, KVFA, Ministry of Trade, Pillar

Four and USAID. A lead person will be responsible to the trade members and carrying out activities to open markets for Kosovo's livestock products.

➤ **Macedonian market:**

Build upon the early success in forming strategic partnerships between producers, traders and export slaughter plants in Macedonia. Efforts have been made to open the border to Sharri Prime Lambs weighing less than 20 kg liveweight. The veterinary services of Kosovo and Macedonia have indicated a willingness to allow lambs in this weight category to enter Macedonia this spring. Efforts are needed to have all parties implement the protocol for issuance of health certificates in time for lambs to be sold in April. At least one truck load of lambs needs to be sold for the EU Easter period.

A protocol needs to be drafted and approved by the veterinary services of each country. The Chief veterinary Officer (CVO) needs to be in regular contact with his counterpart in Macedonia. A minimum of 3,000 lambs are sold in Macedonia this April for the Easter market. Producers need to begin to prepare now to have lambs available for the Christmas/New Year market. If trade does not commence in April, then retaliatory action on the part of Kosovo needs to be initiated.

➤ **Bosnia i Herzegovina market:**

Implement Lijanovici's letter of intent (Annex 6) to purchase between 15,000 and 20,000 lambs this year. The lambs required are in the weight range of 15 to 26 kg liveweight. KCBS staff will have to stay focused on implementing this contract by involving supporting agencies in both Kosovo and BiH. This market opportunity can propel the sheep industry into becoming export market oriented in a very short period of time.

Communication is needed immediately and regularly between the CVOs of Kosovo and the BiH. All information on the tests done for FMD needs to be shared with the veterinary service in the BiH. A protocol is needed on how lambs will be handled and tested. An agreement can be drafted for signatures.

The CVO of Kosovo needs to OIE to recognize Kosovo as free of FMD. The validity of this request is because FMD tests were conducted by Kosovo's KVFA at the request of OIE on behalf of Serbia-Montenegro. The results of the tests (negative) will be used to list Serbia – Montenegro as free of FMD. OIE will in fact recognize Serbia – Montenegro on the basis of Kosovo's participation. Status cannot be given to one country without also being given to Kosovo.

If the BiH does not allow live lambs to enter this year, then retaliatory action could be initiated on meat items originating from the BiH in the amount of €1,000,000.

FIELD ACTIVITIES TO ACHIEVE PURPOSES

1. Production Issues

A number of visits were made to farms of participating sheep farmers. (See daily activity log in Annex 2) Interviews were conducted to obtain costs of production data. Producers were asked about their breeding season and their ability to shift lambing seasons to meet market windows in key export markets.

Visits were also made to the veterinary departments at both the municipal and federal levels. Discussions were held on health status of flocks, and the ability of local vets to conduct surveillance of flocks. Discussions were held on what protocols could be implemented that would meet the needs of veterinary services in importing countries, e.g. Macedonia and BiH.

2. Contracting Procedures

Meetings were held with the designated trader in Dragash (Refki Sadiku) who has agreed to purchase and deliver lambs to Macedonia. An inspection was made of his barn for holding lambs before exporting to Macedonia. A list of questions were presented to Refki on his likely costs to collect and transport lambs to Macedonia. Pricing of lambs was discussed.

During field trips to Macedonia and BiH, interviews were conducted on estimated transaction costs leading to pricing strategies for lambs this year.

3. Business Plan for SPEAK

A business plan is presented on the establishment of SPEAK (Sheep Producers and Exporters Association of Kosovo) in Annex 7. The business plan was developed after meeting with key stakeholders.

4. Baseline Analysis

Discussions were held with KCBS sheep specialist on the design of collecting and analyzing data on improving flock performance and the producer livelihood. An excel spreadsheet was designed for entry of raw data from field visits – see Annex 9.

5. Market Research

Interviews were conducted with key participants in the market channels for lamb. Market visits were made to traders, butchers and supermarkets. Trips were conducted in Macedonia and BiH to obtain market data on current conditions and product requirements.

Interviews were conducted with representatives of two public relations companies in Pristina. The interviews resulted in possible approaches for promoting the Sharri Prime Lamb brand.

6. Reappraisal of Recommendations of Activities and Objectives for Phase 2 and 3

Consultations were held with KCBS staff and others on possible developments to be undertaken to reach the targets set out in the first consultants report. These consultations allowed for a candid assessment of the best course of action for increasing the sales of lamb in Kosovo.

TASK FINDINGS AND RECOMMENDATIONS

1. Production Issues

The production issues were analyzed with the help of an Excel spreadsheet that examines the dynamics of the flock under different production scenarios. A comparative analysis was done on the traditional and an improved system (split breeding season) based on market windows for young lambs.

1.1. Traditional Production System

The traditional (current) system of raising lambs is based on a natural breeding cycle of the ewe when they are more prolific during periods of longer day light hours and feed availability exceeds nutrition requirements. Ewes are bred when on mountain pastures during the summer months, and lambing is in barns during the winter. Majority of ewes are lambing once per year based on interviews in Gjilan municipality. Out of 65 flocks in Gjilan, it is estimated that only 20 percent are lambing two times per year. This could be improved if producers could be motivated by opening access to the larger regional market.

The model on flock dynamics is based on 100 ewes. The fertility rate is 98 percent and the prolificacy rate is 110 %. The replacement rate for ewes is a seven year replacement cycle. The mortality rate for ewes is 3 percent and for lambs is 5 percent.

The flock produces lambs for sale, lambs for replacement, milk converted to cheese and wool. The model estimates 83.73 lambs for sale (49.81 males and 33.92 females). The production of cheese is 686 kg and wool is 150 kg. In addition, cull ewes and rams will be sold.

The cost of production for 100 ewes is approximately €5,657 of which €5,460 is variable costs and €196 is fixed costs. Feed cost is €3,336 per year or 61% of variable costs. Hired labor is the next largest cost at €1,800 per year.

The gross revenue from the sale of products is €7,846. The net revenue for the flock is €2,139 or a return of €21.39 per ewe. This return does not include a charge for opportunity cost of the assets held in production (flock and buildings) and return to owners' management.

1.2. Improved System with Production Targeted to Export Market Windows

An improved system to be promoted by KCBS to sheep producers is a split breeding system with 50% of ewes bred to produce lambs for the Easter Period, and 50% of ewes breed for producing lambs for the Christmas/New Year period. The fertility rate is the same as in traditional scenario of 98% and the average prolificacy rate increased to 130 percent because of better management. Mortality rate for ewes is 3 percent and for lambs is 5 percent.

With a split breeding system and improved management practices, the productivity of the flock is predicted to increase. The flock will produce 102.34 lambs for sale of which 59.12 males and 43.23 females from a breeding flock of 100 ewes. The flock will still produce 686 kgs of cheese in two seasons and 150 kg of wool. In addition, cull ewes and rams will be sold.

The cost of production for the split breeding season is estimated to remain the same at €5,657. Variable and fixed costs are the same as in the traditional system. Feed and labor costs as percent of variable costs remain the same. Some additional labor for additional lambing may be necessary but not significant.

The gross revenue from the split season increases because of the higher prices due to demand in two export markets. The average price at Christmas – New Year is estimated at €2.80/kg liveweight and the Easter period price is €2.5/kg liveweight. The gross revenues are €10,576 and net revenues are estimated at €4,882 or €48.82/ewe. This is an increase of 128 percent in net revenue compared to the traditional system.

2. Contracting Procedures

A contract has been signed between a Kosovo trader and the manager of the Gorne Polog plant in Gostivar, Macedonia. In a recent meeting held between the CVOs of the two vet services, only lambs weighing less than 20 kg liveweight can enter Macedonia for immediate slaughter and export. (This seems to be excessively restrictive when the export market will take heavier carcasses). The carcass will carry two certificates: a Kosovo live animal certificate and a Macedonia meat inspection certificate. The price for the lambs will be determined as the buying season gets underway. The contract calls for pricing to be set six weeks before the delivery date.

Lijanovici Meat Company has agreed to purchase between 15,000 to 20,000 lambs during the next 12 months. Lambs will be in the weight class of 15 to 26 kg. A two tier pricing plan is proposed: 15 to 20 kg liveweight and 20 to 26 kg liveweight. Orders will be placed and trade can be approved between the two countries. Prices will be set 10 days before the purchase date. Lijanovici will supply the truck with a capacity of 700 to 800 lambs per truck. Lambs will remain on farms before being loaded on the truck for delivery to the plant in BiH. Travel time is approximately 10 to 12 hours. BiH laws require that lambs have to be slaughtered within 48 hours after crossing the border. Lambs will require an export certificate, import certificate and a health certificate.

2.1. Conduct transaction analysis of required shipping conditions, documentation and trans-boundary issues in transporting the live lambs;

An interview was conducted with the trader in Dragash who will deliver lambs to Macedonia. He has a Mercedes Benz diesel truck for the transport of lambs. The cost of new truck is estimated at € 60,000. The loaded capacity of the truck is 400 lambs. He will make 16 trips per year with 400 head per trip. The cost per head is estimated at €1.007/lamb or approximately €0.05/kg liveweight. (see table).

Table. Cost of Transporting Lambs to Gostivar in Macedonia, 2006 – 400 kms

Cost	units	Cost per Unit	Description	Cost per head
<i>Operating Costs:</i>				
Labor – Driver	month	€ 400	3200 head lambs per month	€ 0.125
Labor – Assistant	month	€ 200	3200 head lambs per month	€ 0.063
Fuel cost	Liter	€0.90	10lt/100km loaded;15lt/100 km	€ 0.113
Washing of truck	X 2	€ 10	€20/400 head	€ 0.050
Repairs and maint.	Km	€0.25	400 km * €0.25	€ 0.250
Sub-total				€ 0.601
<i>Fixed Costs:</i>				
Truck depreciation	truck		Allocated to the 16 trips	€ 0.250
Insurance	truck	€1000	16 trips at 400 head / trip	€ 0.156
Sub-total				€ 0.406
TOTAL	lamb			€ 1.007
TOTAL	Kg.Lwt.		Ave. weight of lamb 20 kg	€ 0.050

2.2. Pricing strategies for lambs

The pricing strategy for lambs will be set by the slaughter plant in the importing country based on market conditions at the time of sale. Prices offered last year by Macedonian slaughter plants at Easter was €2.50/kg liveweight. Kosovo producers received only €1.80/kg liveweight during this same period. For the Christmas – New Year market window in 2005/2006, slaughter plants in Macedonia paid €3.50/kg liveweight. The local price in Kosovo was approximately 2.80/kg.

Plants in Macedonia have a three tier pricing plan based on carcass weight.

Category 1: 6 to 9 kg.

Category 2: 9 to 11 kg

Category 3: 11 to 13 kg

3. Business Plan

The business plan is developed for SPEAK to represent the sheep producers and exporters. (See Annex 7) The association will be sustainable based if it charges a fee for each lamb exported. Each lamb exported to BiH and Macedonia will be assessed a fee of €0.10 per lamb. In addition a membership fee of €10 per year will be assessed starting in year three. See table in Annex 7 on the revenue projections for the association.

4. Baseline Analysis

The data collection for the baseline analysis is underway by the sheep specialist. Data is being collected from field interviews of producers. Besides data on sheep productivity, producer livelihood indicators are collected on investments and savings attributed to the sheep operation.

5. Market Research in Target Markets

5.1. Kosovo Market

Consumption of lamb in Kosovo is low, less than 0.40 kg per capita. There is a need to increase the consumption of sheep meat. Most meat is purchased in small butcher shops in the towns. In Pristina there is an estimated 60 butcher shops. The product mix in the butcher shops is beef, lamb and sausages and minced meats.

5.2. Macedonia Market

The national flock size is estimated to be around 800,000, and smaller than previously published estimates. With domestic consumption of lamb and replacements, the export volume is estimated at 400,000 lambs. The break-even price for producers is estimated at €2.00. Producers are reluctant to sell below this amount according to LoL project staff..

The retail price for lamb in butcher shops is approximately €7.00 per kg which makes prices slightly higher than in Kosovo. Lamb meat is sold in the larger supermarkets of Skopje at €6.00.

5.3. BiH Market

The BiH market is a heavy lamb consuming market throughout the year. A particular delicacy is the roasting of whole carcasses on the open fire at restaurants. Lamb meat can sell for around €7.00 per kg. The peak demand periods are Easter, the summer

tourist season, and Christmas/New Year period. Lijanovici imports live lambs from Romania which are older and heavier than Kosovo lamb. Sharri Prime Lamb would be very acceptable to the consumers of BiH when they are still milk lambs. Lijanovici Company supplies lamb carcasses to a number of butcher shops, some of which they own.

Lijanovici is a major supplier of processed meats to Kosovo shipping approximately 2,500 mt of meat products valued at €2.2. million per year. Lijanovici is also requesting the certification of additional plants for the export of canned meat products.

Entry into the BiH market will require efforts by Kosovo to receive disease free status for Foot and Mouth Disease (FMD). Lijanovici is requesting live lambs because of their existing slaughter facility. Kosovo has observer status in the OIE and has filed the necessary paper work for being recognized as disease free of FMD, but OIE has not responded to their request.

5.4. Greece Market

The Greece market for lambs is expanding according to Land o' Lakes (LoL) representatives in Skopje. New Greek slaughterhouses are being built on the border with Macedonia. The aim is to import the lambs directly from Macedonia and slaughter for the domestic market. LoL is working on a project to expand the market for value-added lamb products in retail outlets in Greece. The Greece market could be attractive for Kosovo producers in the future once the FMD status for Kosovo is resolved.

6. Reappraisal of the Recommendations of Activities and Objectives for Phase 2 and 3

The interviews of butchers and supermarkets found that lamb is not regularly offered, especially in supermarkets. For this reason, the domestic market can be developed around a branded Sharri Prime Lamb. Market niches have not been pursued for selling lamb in Kosovo. Supermarkets do not sell lamb, and this is an outlet that could be explored in a pilot project. Hotels and restaurants are another likely outlet for lamb. These are attractive market niches, and with the right approach producers could see lamb on the menu in more restaurants.

In reviewing the recommendations from the first report by the consultant, the following observations are made.

- Phase 1, Objective 1. Develop the capacity of the sheep industry to become market oriented.

Activities 1.1., 1.2., 1.3 are underway and moving in the proper direction.

Activity 1.4. More work is needed on involving KVFA in the protocol for certification of lambs for export. Municipalities have done tests on flocks and these data needs to be compiled for a history on the flocks.

Activity 1.5. Only one livestock trader has signed a letter of interest to buy and transport lambs to Macedonia. This number needs to be increased.

Activity 1.6. A concept paper for a pilot project on market development in Kosovo for lamb has been submitted to the Marketing Support Project of EAR - see Annex 3. Work can begin immediately on this activity and a local public relations firm can be employed.

➤ Phase 2, Objective 2: Develop the market for lambs for slaughter in Macedonia and the BiH.

Activity 2.1. Contact made with LoL and pledges made for close cooperation. Groups of farmers can be taken to Macedonia to meet sheep farmers and association officers. Lijanovici Company in BiH is involved through the representative company, Delfin.

Activity 2.2. KVFA has agreed to do testing free of charge. Protocol on tests and which tests to perform on sheep needs to be aligned with needs of importing country veterinary service.

Activity 2.3. List of slaughter plants and exporters has been obtained from LoL. Contacts need to be made.

➤ Phase 3, Objective 3: Develop the capacity of Kosovo's slaughter industry to export lambs and lamb products.

Activity 3.1. An assessment of plants that could be certified to export lambs needs to be conducted. This assessment needs to be done in the second half of 2006. KVFA needs to be involved as well as TAIEX and EU inspectors.

Activity 3.2. Timing is for August, 2006 to identify slaughter plant for involvement in slaughter and export of lambs. Lubyteni is a potential candidate. It is advised that the owner and manager of Lubyteni be partnered with a slaughterhouse manager in the EU in a mentoring relationship.

Activity 3.3. Some work can begin at the end of the year for Activity 3.2.

Activity 3.4. In the fourth quarter, if progress is being made on developing a suitable plant, then SPEAK and the slaughterhouse can begin to be linked together.

CONCLUSIONS AND RECOMMENDATIONS FOR FUTURE ACTIVITY

A. CONCLUSIONS

Production

1. Eighty sheep producers have been organized into five groups, and producers are interested in exporting lambs as they did in the past.
2. The efforts to rebuild the flock and the number of producers will take time and effort. New and better management practices and improved genetics are needed if productivity is to increase.
3. Producers have received training in animal health and the treatment for different diseases for sheep. Producers said the trainings were useful.
4. Municipality vets are important to the improvement of the sheep industry in the target municipalities.
5. Identification and Registration (I&R) of flocks of producers in SPEAK would have multiple benefits for the KCBS program.
6. Trade restrictions for live animals can be lifted, but it requires a plan for action that is implemented in a systematic manner.

Contract Procedures

1. One market contract was signed between a Macedonian slaughter house and a Kosovo trader for live lambs. The contract is for the Easter period. No price and quantities of animals have been established, but need to happen by Mid-March. More contracts are needed for Kosovo lambs.
2. Lijanovici Company in BiH signed a letter of intent to purchase between 15,000 and 20,000 lambs this year. This large number of lambs would be a major stimulus to the Kosovo sheep industry.
3. Lambs will need to be tagged and registered so they can be traced to the original farm before they are sold for export. The lambs will have to be serologically tested for different diseases, e.g. brucellosis, blue tongue and Q-Fever before they enter Macedonia and the BiH.

Market Development

1. The domestic market for lamb in Kosovo is dormant. Little work has been done on value-added lamb products which could be positioned for supermarkets, hotels and restaurants.
2. A comprehensive plan for development of the domestic and a few export markets has to be initiated, and stakeholders and decision-makers have to be involved in the early stages of this effort if there is to be any success.
3. Exports of some lambs this year to Macedonia and BiH needs to occur if producers are to get motivated to improve their sheep flocks.

B. RECOMMENDATIONS

Production.

1. A program to tag lambs and take blood samples for a number of lambs for exports need to be started by March 15th. These lambs would be available for export to Macedonia the first week in April. The project needs to work with the KVFA to accomplish this task on at least 1,000 lambs. Private vets can be hired to carry out this effort.
2. One slaughter house – exporter in Gostivar has signed a letter of intent to purchase lambs from Kosovo this year. There are other slaughter houses that export to Italy and Greece that can be contacted and told about the Sharri Prime Lamb program. This will create more competitive pricing of Kosovo lambs.
3. Producers involved in the groups need to be instructed on breeding ewes this April and May period for lambs for the Christmas-New year period. A training program can be established in March, 2006 to show producers how to use a high energy ration to initiate synchronized ovulation of the ewe to get a uniform lamb crop.

Animal Health and Trade.

1. It is necessary to actively involve municipal vets in the development of the Sharri Prime Lamb program and have them work closely with farmers in SPEAK.
2. A task force is needed immediately to push for opening the trade in live lambs to Macedonia and BiH. The task force will examine ways to break through the burdensome NTBs and legislation that is preventing Kosovo from exporting lambs. The following organizations and individuals need to be kept current with developments in opening markets for Kosovo lambs. Their assistance is necessary to achieve access to regional markets.

KOSOVO – Representatives for Task Force

KVFA, Dr. Q. Kebashi; and Dr. Bafti Murati, Dr. Besfort Gunga

Refki Sadiku, livestock trader in Dragash

MAFRD, Deputy Prime Minister Tome Hydari

USAID: Flora Arifi and Peter Duffy

Chamber of Commerce: Safet

UNMIK – Pillar 4: Dr. Andreas Wittkowsky and Peter Oldham, Ministry of Trade

EAR – Ross Bull, AMPK, Brian Milton, MSP;

DELFIN: Basri Kransqi

MACEDONIA – key stakeholders who can help to open trade

Land O'Lakes project staff

Veterinary Service of Macedonia

USAID

Slaughter plants and meat exporters

BOSNIA-HERZEGOVINA – key stakeholders who can help to open trade

Veterinary Services (Dr. Jozo Bargaric, Dr. Nihad Ferzic)

Pillar Four

Lijanovici Company, Miroslav Prusina, Director of Marketing for Kosovo and Macedonia

Serbia Veterinary Service

EAR office in Sarajevo

It is recommended that the Progress Booklet be updated by the KCBS regularly so that interventions needed are tracked properly. (See Annex 8).

3. Establishment of an export lamb compartment in 13 municipalities would help to create the needed assurances on health of lambs and create the necessary brand image for export promotion of Sharri Prime Lambs. The export compartment would become a zone in Kosovo from which live lambs could be exported to EU and other markets. A sheep and goat specialist will be working in the SPUVET project starting in April and contact can be made through Miguel Angelo Francisco.

4. The difficulties being encountered with exporting live lambs is making lamb slaughter and export of carcasses more attractive. Discussions are needed with KVFA and other relevant animal health advisors on the best steps to have a select number of slaughter plants certified for export. Further investigations by the KCBS sheep specialist can be done before embarking on this course of action.

Market Development

A. Domestic Market

1. Implement a pilot program in the domestic market for Sharri lamb. (See Annex 5 for the concept paper on the project). This pilot program for the domestic market would involve improving the value chain for lamb. The emphasis would be on working with larger producers linked to supermarkets, hotels and restaurants.

2. Involvement of a marketing company like B2 or CMB that can be responsible for a promotion program for Sharri Prime Lambs. The program can include the recognition of SPEAK and its work to provide a quality lamb product to the domestic market. If the export market gets developed in BiH, then it will be important to give recognition in the ad campaign to Lijanovici Company for their role in purchase of Kosovo lambs.

B. Export Market

1. Market research can be conducted on the Macedonia, Italian, Greece and EU markets. The market research will help to allay the fears of local countries like Macedonia, that Kosovo lambs will disrupt their domestic market. Demand analyses is needed to ascertain the impact of the supplies of lambs on the local market of the importing country.

2. Trial shipments of lambs to Macedonia need to happen in April. The KVFA needs to push for entrance of lambs for slaughter, even if only a small quantity so that a history of exports can be started. Producers can then see the benefits of the program and become invested in opening the market.

ANNEXES

Annex 1. Bibliography

Annex 2. Daily Activity Log

Annex 3. Concept Paper for Export Lamb Compartment

Annex 4. Fact Sheet on Lamb Export Program

Annex 5. Press Release on Lamb Export Program (Draft)

Annex 6. BiH Letter of Interest to Purchase Kosovo Lambs

Annex 7. Business Plan for Associations

Annex 8. Excel spreadsheet for monitoring improvements

Annex 9. Progress Booklet – Sharri Lamb Export Initiative

ANNEX I: Bibliography

Kabashi, Qaush. "Request for Enrollment into List of Third Countries Eligible for Export into European Union." Ref. AVIK 122/05. June 24, 2005.

Rana. Adem. "Sheep Health Management in Kosovo". KCBS-USAID. January 5, 2006.

Sullivan, Gregory M. "Development of the Sheep Industry in Kosovo." KCBS-USAID. October 18, 2005.

ANNEX II: Daily Activity Log

Jan. 19, 2006 (Thu.)

Arrival in Kosovo.

Jan. 20, 2006 (Fri)

Basri Kransqi, manager of Delfin Company, and representative of Lijanovici Company in Kosovo.

Jan. 21, 2006 (Sat)

Field trip to Dragash Municipality and meetings held with Shefki Ajdini, private veterinarian assisting in formation of producer groups to assess his activities.

Refki Sadiku is a livestock trader in Dragash who will be arranging the movement of lambs from producers's barns to the slaughter houses in Macedonia. Tour his barn and discussed logistical issues.

Visit to two producers in Dragash and one is the lead farmer for the municipality. Inspected the lambs being prepared for sale.

Jan. 23, 2006 (Mon)

Miguel Angelo Fernandez of SUPEVET project in the KVFA to discuss activities which have occurred to get the border open for exports. Discussion also focused on a concept paper for I&R activity and a lamb export compartment for Kosovo.

Ross Bull is leader of Agricultural Master Plan of Kosovo, and we discussed the importance of lamb exports in the master plan.

Andreas Wittkowsky, UNMIK and EAR, Head of Economic Policy Office to discuss ways to get the EU to recognize Kosovo for exports of lamb.

Jan. 24, 2006 (Tue)

Bekim and Kemail Koxha, brothers in the sheep production and restaurant business, to discuss ways to improve the image of lamb for increased consumption and conduct a pilot marketing test using their restaurant.

Jan. 25, 2006 (Wed)

Basri Kransqi of Delfin and Safet Gerxhaliu of the Chamber of Commerce to plan joint activities to encourage Kosovo government support for lamb exports.

Jan. 26, 2006 (Thu)

Jan. 27, 2006 (Fri)

Meeting with Peter Duffy and Flora Arifi of USAID and Martin Wood of KCBS to discuss the approach for opening the lamb export market.

Jan. 30, 2006 (Mon)

Visit with livestock specialist and director of agriculture for the Gjilan municipality.

Letif Talla, general manager, of LGB slaughter house to discuss opportunities for slaughter and marketing of lambs in both Kosovo and export markets.

Visit with a sheep producer who is raising 300 ewes and is a member of the producer groups.

Jan. 31, 2006 (Tue)

Remzi Ahmeti, Chief of Inner Trade Division, Ministry of Trade, PISG. Discussed steps for establishing free trade protocol on lambs with Macedonia and removal of trade barriers.

Feb. 1, 2006 (Wed)

Don Davis, RASP project, Ross Bull of AMPK, Brian Milton of the MSP project and Martin Wood of KCBS to discuss ways to integrate the activities of donors in the agricultural development activities.

Feb. 2, 2006 (Thu)

Adrian Koc, CMB Marketing and Advertising Company on how to promote lamb consumption in Kosovo.

Vjosa Berisha, CEO of BE Company, a promotion company, to discuss developing a campaign for lamb in Kosovo.

Feb. 3, 2006 (Fri)

Zunun Gashi (lead farmers) and his family at his sheep barn in Rahovec municipality. Second farmer, Vllaznim, joined the discussion late and he has 100 sheep. Inspected lambs and discussed problems with the production and marketing.

Fatmir Kureshepi and Baton Cena, municipal vets in Rahovec. Discussed disease situation for sheep and how to obtain flocks records from recent tests performed on individual flocks.

Inspected the flock of the lead farmer for the Prizerin municipality. Gathered information on flock performance.

Feb. 4, 2006 (Sat)

Complete first draft of business plan for SPEAK.

Feb. 6, 2006 (Mon)

Peter Oldham of Pillar Four of EAR to talk about the concerns for trade in lambs and how to open the market.

Meeting with Professor Hajrip Mehmeti at the University of Phristina on sheep production in Kosovo and his interest in participating in the development of SPEAK.

Meeting with Beq Hulaj at the Kosovo Veterinary Lab on types of tests that can be performed on sheep at the lab using ELISA test kits. Discussed costs and logistics to performing the tests.

Bahti Murati, Chief of Animal Health, at KVFA, on the presence of animal diseases in Kosovo.

Qaush Kabashi, Chief of KVFA, to discuss the opportunity for opening dialogue with Macedonia on the export of lambs this year.

Feb. 7, 2006 (Tue)

Brian Milton and Max Froedan of the Market Support Project (MSP) on how to work together on the promotion of lamb in Kosovo.

Feb. 8, 2006 (Wed)

Travel to Skopje, Macedonia to try and obtain visa for Gursel Arifi for trip to Bosnia.

Meeting with LoL staff involved in the sheep industry development in Macedonia

Feb. 9, 2006 (Thu)

Travel to Skopje with Flora Arifi and Peter Duffy to meet with USAID officials, Meri Cacoliska and Peter Lampesis. Met with vets of the Macedonia veterinary service, Slobodon Courevsul, CVO, Ezel Dogani, Chief Veterinary Inspector, and Saso Ansovsul, Head of Health Department. In attendance was Qaush Kabashi, CVO, and Besfort of the border control of the KVFA. Discussed the opening of trade in lambs to Macedonia.

Meeting with LOL project staff to discuss their activities in supporting the marketing of lambs in Macedonia. Discussed ways to collaborate between LoL and KCBS.

Feb. 10, 2006 (Fri)

Final preparations made for the trip to Bosnia.

Feb. 11, 2006 (Sat)

Draft started of final report.

Feb 12, 2006 (Sun)

Departure to Sarajevo with Dr. Bahti Murati for meetings with Lijanovici Company.

Feb. 13, 2006 (Mon)

Meeting with Jozo Bagaric, CVO, of veterinary service in BiH. In the meeting was Darko Cobanov, Senior Associate for Veterinary Epidemiology and Slavisa Krestalica, DVM, Secretary. Discussed purpose of visit and Dr. Krestalica was instructed to accompany us to Lijanovici.

Travel to Lijanovici Company in Siroki Bireg with Basri Kranciq of Delfin in Phristina. Meeting held with the following representatives of the company: Miroslav Prusina, Export Marketing Director for Kosovo and Macedonia. All aspects of the possible trade were discussed.

Feb. 14, 2006 (Tue)

Final meeting with representatives of Lijanovici Company on details of the types of lambs required and the weight categories. Received letter of intent to purchase lambs this year. Returned back to Sarajevo.

Meeting with representatives of the veterinary service (Darko and -???-----). Also Al Wanous, the new KCBS cluster leader for livestock, attended the meeting to listen to the proceedings. Protocols for animal health were discussed and the current legislation on trade with countries that are free of foot and mouth disease.

Evening meeting with Nihad Ferzic, DVM, Deputy Chief of the veterinary service, to inform him of the trip to Lijanovici, their commitment and the discussions which had been held with the veterinary staff in the afternoon.

Feb. 15, 2006 (Wed)

The team returned to Pristina by airplane.

ANNEX III: Concept Paper for Export Lamb Compartment

A Concept Paper for an Export Compartment for Sharri Lambs from Kosovo

SITUATION

Since the early 1990s, the sheep industry has declined from more than 600,000 head to now approximately 90,000 head. The closure of export markets has been the major reason for the decline. There is a strong demand for lambs from Kosovo because of the quality of the product produced from mountain grazing areas and the local breed (Sharri). Lambs were transported to Macedonia for slaughter, and carcass meat was sold to Italy and Greece. Slaughter plants in Macedonia are again expressing a strong interest for Kosovo lambs; however, trade regulations are preventing the trade with Macedonia.

JUSTIFICATION

The resumption of trade between Kosovo and Macedonia and possibly other countries in the region is important for economic development. Kosovo imports large quantities of red meat (11,400 mt in 2003), and the export of lambs will offset the cost of meat imports. Exports of lamb will increase rural incomes in Kosovo where there are high levels of underemployment.

The creation of a region as a lamb export compartment by the international community will create an economic opportunity for livestock producers. The compartment will allow for exports of lambs to currently closed markets. The compartment can be promoted as environmentally pristine which will enhance the promotion of a branded lamb product. Finally, the proposed export compartment is strategically located next to Macedonia. The surveillance and control of common grazing areas will reduce the incidence of trade limiting diseases for the two countries.

GOAL

The goal is to open the export market for graded and inspected lambs from Kosovo.

OBJECTIVES

There are several objectives set forth to meet the stated goal

1. Improve the health of sheep for increased consumption of safe and wholesome meat products;
2. Implement an animal health inspection, surveillance and reporting system in a designated compartment for export lambs which can be recognized by the OIE and other importing countries; and
3. Remove trade restriction so that Kosovo livestock producers can participate in fair trade with other countries in the region.

ACTIVITIES

Activity 1. The KVFA and private veterinarians will undertake an identification and registration (I&R) program on flocks in the export compartment. (This information will be used by the KCBS – USAID project to target sheep producers with needed animal husbandry and nutrition programs to improve sheep productivity.) Export sales will be from registered flocks so that traceability of individual animals will be tracked through the marketing system.

Activity 2. The capacity of the local government veterinary service in Gjilan and Prizerin Regions and their 13 municipalities. The KVFA will conduct surveillance, testing and reporting of sheep flocks on a regular basis.

Activity 3. Based on the protocol established in Activity 2, KVFA will be able to petition for the removal of existing barriers to trade for lambs originating from the export lamb compartment.

INPUTS

Traning for regional and municipal veterinarians in I&R for sheep,
health testing and recording information on individual flocks.....\$20,000

Serological tests for sheep in the export compartment
(Brucellosis test kits, foot and mouth, other tests).....\$50,000

Cost of performing tests at the Kosovo National Veterinary Institute.....\$40,000

Private veterinarians in the 13 municipalities to conduct I&R and to
monitor and certify the flocks in the export lamb program thirteen (13)
veterinarians at \$10,000 for six months.....\$140,000

Vehicles for conducting the farm I&R and continue monitoring of flocks,
markets and abattoirs (one vehicle assigned to each region).....\$80,000

Operating expenses for the vehicles (\$5,000 per car per year for 2 years).....\$20,000

Total Proposed Cost =====
\$350,000

EXPECTED RESULTS

There are several expected results

1. I & R of sheep flocks in the lamb export compartment
2. Increased productivity of the sheep flocks and expansion of sheep numbers
2. Implementation of surveillance and monitoring program in the two regions comprising the export lamb compartment

3. Recognition of the lamb export compartment by the OIE and authorities in health authorities in importing countries, e.g. Macedonia and Bosnia
4. Initiation of the export of lambs to several countries

LOGISTICS AND TIMING

Ten steps are outlined for conducting the project.

1. Identification of participating sheep producers in the export compartment. (A survey of sheep producers by KCBS-USAID completed in 2005)
2. Formation of producers into groups. (Five groups of 80 producers with each group having a lead farmer completed by KCBS-USAID).
3. Training of sheep producers in good animal husbandry and nutrition practices. (On-going by KCBS-USAID with on-farm demonstrations and practical training session for the five groups.)
4. Training of federal, regional and municipal government veterinarians and private veterinarians. (Two week training session is proposed)
5. Initiate an I&R program of participating 80 flocks and the surrounding flocks in the export compartment. Other flocks included after first phase of 80 flocks. (approximately four to six months)
6. Establish a data base of the participating flocks and a history of their health status. Initiate in each municipality a system for sending electronic reports to regional and federal offices.
7. Routine surveillance and testing for animal diseases in sheep at key points: farms, markets, and abattoirs. (Start after the training completed in #4)
8. Risk analysis conducted of outbreak of diseases based on surveillance. (On-going as data is compiled from different intersection points – flocks, markets and abattoirs)
9. Animal health reports on the export compartment sent to OIE and other interested authorities importing Kosovo lambs. (Quarterly reports with annual summary are proposed).
10. Tracking rural livelihoods of participating lamb producers (initiated by KCBS-USAID).

ATTACHMENT

Map of the proposed export lamb compartment.

ANNEX IV: Fact Sheet on Lamb Export Program

For Limited Circulation Only - Released: January 31, 2006

Sheep Production

Kosovo has a long tradition of sheep rearing. The local Sharri breed is recognized in the region for its unique taste. Kosovo has an abundant amount of land area in pastures and mountain meadows. Kosovo has over 165,000 ha of natural pastures for extensive grazing (16 percent of the total land area and 30 percent of the agricultural land area).

The number of sheep has declined from a high of 600,000 sheep in 1990 to its present level of less than 100,000 head because of disruption in trade patterns and the impact of the armed conflict. The major production is in the southern half of Kosovo in municipalities that are in close proximity to large areas of lowland pastures and mountain meadows.

Consumption of Meat

Meat consumption in Kosovo is estimated at 42 kg/cap well below the average level of meat consumption in the EU countries (91 kg/cap) and even below the average for the CEE countries (69 kg/cap). (1) The estimated annual meat consumption is 84,000 mt of meat. Kosovo produces 18,000 mt and imports 66,000 mt (79%) of its meat requirement. Beef and poultry account for 96 percent of meat consumed in Kosovo. Consumption of sheep meat is estimated at less than 0.4 kg/cap.

The cost of production of lambs is estimated at €2.15/kg which is high mainly because of the lack of proper management and the high cost of commercial feed. (1) During the winter months, sheep are stall fed increasing the cost per head. During the summer months, sheep are grazing lowland pastures and mountain meadows.

The domestic market price for sheep and lamb varies throughout the year from around €2.00/kg to €2.80/kg. During the surplus market period for lambs (March to May) the price sometimes falls to less than €2.00 per kg in the smaller rural markets.

Organizing Sheep Producers

The sheep industry in Kosovo has the potential to expand its supplies of lambs for the domestic and export markets. Key export markets are located in the region as well as the EU market. (1) Kosovo Cluster and Business Support (KCBS) and USAID are assisting the sheep industry to realize this potential for trade. KCBS held a series of producer meetings in the fourth quarter of 2005 in the municipalities of Dragash/Drigas, Prizren, Viti/Vitina, Gjilan/Gnjilane, Kaçanik/Kacanik, Ferizaj/Uroševac, Gjakov/Djakovica and Rahovec/Orahovac. Eighty (80) producers formed into five groups, and each group selected a lead farmer (LF) to serve as a point of contact. The lead farmer will be a demonstrator of good sheep production practices to other participating farmers.

The 80 sheep producers control approximately 11,000 sheep. The number of sheep per flock ranges from 50 to 1,200 head. The producer groups have the potential to market initially between 10,000 and 15,000 lambs per year.

Market Opportunities

The objective of the KCBS and USAID is to assist in the development of a branded lamb program for both the domestic and export markets. The Sharri brand name will be used by the groups when advertising their lambs. By raising awareness about the quality of Sharri lambs, the KCBS hopes to increase the consumption of lamb to approximately 0.50 kg/cap by 2010 in Kosovo.

A demand exists for Kosovo lambs in the EU and other CEE countries. KCBS is working to open the export market for sheep producers. Italy and Greece represent two target countries in the EU which have a high demand for lamb. Greece imported over 810,000 live sheep and lambs in 2003 at a value of \$38 million. (2) In addition, Greece imported 16,000 mt of mutton and lamb meat at a value of \$ 52 million. Italy imported 1.8 million sheep and lambs in 2003 at an estimated value of \$ 101 million. Italy imported an additional 23,000 mt of mutton and lamb meat in 2003 at a value of \$112 million.

At the present time, Kosovo's access to the Greece and Italy markets is by forming a market linkage with EU certified slaughter plants in Macedonia. In 2004, Macedonia exported approximately 3,000 mt of lamb meat, mainly to the EU, and slaughter plants require more lambs for slaughter than are available locally. KCBS received a letter of commitment from a plant in Macedonia to purchase lambs.

Bosnia-Herzegovina (BiH) is another attractive market for Kosovo lambs. There are seasonal spikes in demand due to religious and festival periods (e.g. Eid) when prices can increase for sheep. BiH imported approximately 17,500 sheep in 2004 for slaughter for the domestic market. Kosovo lambs would be shipped to BiH and would be slaughtered and consumed in the local market.

References

1. Agricultural Master Plan of Kosovo, 2005.
2. Food and Agriculture Organization Statistics

ANNEX V: Press Release on Lamb Export Program [Draft]

SHEEP PRODUCERS TO EXPORT SHARRI LAMBS

Prishtina, Kosovo. The sheep industry in Kosovo has been in decline for over a decade. The number of sheep fell from over 600,000 head in the early 1990 to less than 100,000 head today. The industry contracted mainly because of the loss of access to its traditional export markets.

The Kosovo sheep industry is seeing renewed interest because of the increased demand for Sharri lamb from neighboring countries. Sharri lamb of Kosovo is recognized for its unique flavor and taste because it is naturally produced from environmentally clean pastures and mountain meadows.

Sheep producers are being assisted by the Kosovo Cluster and Business Support (KCBS) project funded by the U.S. Agency for International Development (USAID). Producers receive training to improve their management and marketing skills to provide a year round supply of lambs weighing around 20 kg.

Eighty (80) lamb producers participate in the marketing program. Producers are located in eight municipalities of Dragash, Prizren, Viti, Gjilan, Kaqanik, Ferizaj, Gjakov, and Rahovec. The size of individual flocks range from 50 to 1200 head, with the producer group managing a total of over 10,000 sheep. Five sheep producers act as lead demonstrators for other farmers in their locality. Producers receive training in modern animal husbandry and health management practices.

The KCBS project identifies key export markets for Kosovo's Sharri lambs. A meat company in Macedonia signed a letter of intent to purchase lambs from producers in 2006. The lambs would be processed in Macedonia, and the meat sold in the Italian market. Bosnia-Herzegovina is another important market for Sharri lambs, and a meat company indicates an interest to purchase lambs for their local meat market.

This year 80 sheep producers would like to export between 10,000 to 15,000 lambs with an approximate value of €1 million. The export trade will offset the large amount of meat imported to Kosovo, as well as, create additional jobs in the rural economy. Kosovo sheep producers are optimistic that all the necessary trade protocols and regulations with Macedonia and Bosnia-Herzegovina will be finalized to allow the export of Sharri lambs this year.

For additional information, please contact Gursel Arifi at KCBS, ph. 243 361

***** **End of Press Release** *****.

ANNEX VII: Business Plan for Association

Business Plan for SPEAK (Sheep Producers and Exporters Association of Kosovo)

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EXECUTIVE SUMMARY

Sheep Industry was once a vibrant industry in Kosovo. The sheep industry world wide has seen the trade increase so that the product is attractive in key markets and the preferred meat in the case of the Middle East.

Kosovo has a history of sheep production. It could once again be an exporter of sheep to neighboring countries and even to countries that are seeking a high value agricultural product.

The industry is fragmented from years of decline and for that reason it is necessary to establish a business entity that can provide the needed business coordination that one producer would find burdensome. Transaction costs would be too high, and barriers to markets are difficult for one producer.

SPEAK is envisioned as a business organization that can serve a vital purpose for its members by providing facilitative marketing services. For their services for its members, SPEAK will take a fee from each lamb that is marketed by the business. SPEAK will be chartered and will have restrictive functions. Five primary functions are most important:

1. Facilitate the marketing of its members lambs to export markets in the regions
2. Promote Sharri Prime Lambs of its members in domestic and export market
3. Insure that credibility of the product with setting and meeting standards by its members
4. Communicate the needs of its members to open trade with countries and remove trade restrictions on Sharri Prime Lamb
5. Look for other opportunities on behalf of its members to reduce costs and enhance value of the marketable products.

SPEAK will identify key export markets and has chosen Macedonia and Bosnia-Herzegovina (BiH) for market opportunities. SPEAK will seek new markets for Sharri Prime Lamb in both the EU and Middle East markets.

PROJECT

1. Project Description

The project is to organize sheep producers and supporting entrepreneurs and companies into a viable business venture to market lambs and lamb products. The business entity will be entitled SPEAK (Sheep Producers and Exporters Association of Kosovo).

2. Mission Statement

SPEAK mission is to produce and market high quality lamb and lamb products for the domestic and export markets.

3. Business Structure

SPEAK will be structured as an association under the rules and regulations of Kosovo. A governing entity will be established from the members of the association.

4. Proprietary Rights

SPEAK will brand its lamb and lamb products as Sharri Prime Lambs. SPEAK does not own sole proprietary rights to the word Sharri; however, Sharri refers to a geographic region and breed of animals unique to Kosovo.

MANAGEMENT

5. Project Leadership

SPEAK will receive technical and managerial assistance from personnel in the Livestock Cluster of KCBS-USAID project. Technical assistance will be provided until the end of the KCBS-USAID project.

6. Business Management

SPEAK will have a board of directors elected by its membership. Members have selected five lead farmers to represent five groups of producers. The association will be governed by producer members but will have allied members from the support industries, e.g. traders, meat packers, feed input suppliers, and others. SPEAK will identify a specialist in the sheep production and marketing field who will serve as administrative director on a volunteer basis until a time when a salary can be paid.

EXTERNAL ENVIRONMENT

7. Economic and Social Environments

Kosovo is a net importer of agricultural products and processed food products. Few opportunities exist for Kosovo to be an agricultural exporter. Kosovo signed free trade agreements with the governments of Macedonia and Albania. Discussions are being held with Bosnia-Herzegovina (BiH), and a free trade agreement is likely in 2006. These free trade agreements will likely open the door to continued imports of food products.

Representatives of the Kosovo government are in discussions with several government officials in neighboring countries for the export of lambs and lamb products. Discussions are being held with Macedonia and Bosnia-Herzegovina (BiH).

Kosovo faces uncertainty in its status as an independent state. In the interim, the business climate is unpredictable so that new investments are likely being delayed. Investments in the rural sector have been slow to replace destroyed assets during the civil war or to build the necessary infrastructure for a competitive agriculture.

Ethnic tensions have diminished since the civil war. The business climate in rural areas continues to be sluggish partly due to uncertainty in resolving ethnic disputes. The sheep industry would directly benefit rural households faced with declining opportunities in the export market.

8. Industry Analysis

The sheep industry has seen a steep decline in the number of flocks and sheep. The decline can be directly related to the loss in export markets of sheep. Though flock sizes are down, there is a core number of larger producers who have maintained their flocks. They have knowledge about sheep rearing though their skills need to be updated.

The initial registration of SPEAK has 80 producers with medium to large size flocks and they are the initial core of activities. The flock size ranges from 50 to 1200 ewes.

MARKETS

9. Marketplace Analysis

Lamb is underperforming in the domestic market. Per capita consumption is low at less than .40 kg per capita. Much can be done to increase consumption with better products and promotion. Lamb is expensive compared to beef and chicken which dampens the demand.

The export market for lamb is attractive. Lamb is consumed in large quantities in Greece and Italy and these markets afford good opportunities for a branded Kosovo lamb. Access to these markets are still hindered by trade restrictions but these should improve as more pressure is placed on removing unfair trading practices.

10. Target Market and Customer Analysis

For the export market we want to target the high demand periods of Christmas/New Year and Easter in the EU market

In the regional market we want to look at those markets that are large consumers of lamb and sheep meat and the festivals of Eid and other muslim holidays.

For the domestic market, there is the opportunity for higher end users of lamb and customers in the hotel, restaurant and institutional (HRI) trade.

11. Direct Marketing

The objective of SPEAK is to direct market to companies of lamb in the beginning. We are targeting meat processors in Macedonia and BiH. Montenegro is also a possible market.

12. Competition Assessment

The brand of Sharri lamb is also shared with Macedonia that is contiguous to Kosovo. It is really the objective of Kosovo that it find its niche along side of larger suppliers of lambs, such as Macedonia and Bulgaria rather than try to steal market share from these suppliers. SPEAK will try to take a ----- role that allow for complementation of a limited volume of animals and meat.

13. Pricing Plan

The pricing plan calls for supplying lambs to the market when prices are seasonally higher. Being a commodity with some clear product attributes, natural product and feed naturally, it is believed that Sharri Lamb would be priced at the top of the market, but still as a commodity in the carcass form. Prices will be set by the meat processors in the importing country.

It is planned that at a later time SPEAK products would be processed and branded and could be priced differently.

14. Marketing Message and Promotion

A marketing message will be developed with the help of a local public relations and marketing company in Kosovo. SPEAK believes that the message of animals from environmental pristine areas of mountain meadows and raised in a humane manner will be positive messages.

Market promotion will be developed in the domestic market for Sharri lamb. The export market will not be developed until SPEAK is marketing packaged meat products where our name can be promoted.

15. Market Access and Sales Forecast

Market access is a barrier to SPEAK's viability. Trade restrictions based on Kosovo statelessness and its weak veterinary service are impediments. An important role of SPEAK will be to communicate to key decision makers the need to open the markets for Sharri Prime Lamb.

The estimate is that if markets are opened in Macedonia and BiH that around 10,000 lambs could be marketed initially with proper lead time to prepare lambs and arrange logistics.

OPERATIONS

16. Operations Plan

SPEAK will be established as a facilitative association for the marketing of Sharri Prime Lambs. Producer-members will make known their intentions of lambs available for sale in advance of delivery. SPEAK will assist in developing export markets, negotiating prices, transportation and other logistics. SPEAK will serve in a fiduciary capacity for receipt of funds to individuals if necessary.

17. Technical Analysis

Producer-members of SPEAK have similar breeds of sheep and have the capacity to meet international standards for lambs for the EU market. Breed type is favorable to the agricultural conditions in Kosovo, and carcasses are accepted by the market. Lambs can be produced in 90 to 120 days to reach the target weight of the importing countries.

18. Site Selection

SPEAK has identified 13 municipalities in two regions (Gjlan and Prizerin) that would be the ideal area for producing Sharri Prime Lambs. The two regions are contiguous to each other and form the southern tier of Kosovo and stretch from east to west on the southern border. This area is suitable to sheep production.

19. Production Inputs

There are adequate number of sheep in the target areas to begin advertising Sharri Prime Lambs. Additional lambs will be supplied by new flocks being registered in SPEAK. Flocks registered in SPEAK will also expand their production of lambs as “good management practices” are introduced to members.

Feed requirements will increase as producers are encouraged to shift breeding seasons to produce lambs for the Christmas-New Year period. Concentrate feeds and minerals will have to be imported. SPEAK will facilitate bulk purchases of feed to reduce costs for its members.

20. Labor Plan

SPEAK producers will provide their own labor for producing and marketing their lambs to SPEAK’s collection point for Sharri Prime Lambs.

A volunteer managing director will facilitate the business aspects of the business.

21. Regulatory and Environment Requirements

Sheep producers face a myriad of animal health regulations for exporting their lambs to the European Union. These regulations will be investigated by SPEAK and consultations held with the KVFA on necessary remedies.

Producers of SPEAK selling Sharri Prime Lambs will have to agree to certain management practices involving feeding and management of their flock. The success of the business venture will be the integrity of the Sharri Prime Lamb brand name.

FINANCES

22. Budget Projections

SPEAK will fund its activities through a check-off for each lamb marketed with the assistance of the association. The fee will be €10 per lamb.

SPEAK may incur other costs but they have to be offset by collections from the sales of the livestock. For example, if KVFA must perform an inspection of a flock for lambs to be exported, then the fee charged will be deducted from the lamb check to be issued to the producer.

	Year 1	Year 2	Year 3	Year 4
Revenues				
Check off fund	€300	€ 500	€ 1,000	€1,500
Membership Dues			€ 1,000	€1,000
Costs				
Communications	€100	€ 200	€ 200	€ 200
Travel	€100	€ 200	€ 300	€ 300
Promotion	€ 0	€ 0	€ 200	€ 300
Salary	€ 0	€ 0	€ 200	€ 300
Net Income	€100	€ 100	€ 1,100	€1,400

Note: If the Lijanovici contract is fulfilled in 2006/2007 for 15,000 to 20,000 lambs then the revenues will increase appreciably compared to this conservative estimate.

23. Capital Plan

No purchases of capital equipment are planned by SPEAK.

24. Financial Plan

SPEAK will be funded through membership dues of €10 per person per year. Membership is estimated at 100 producers for the first four years. This number may increase with implementation of the development plan.

SPEAK will not incur any long term debt on the part of the members. SPEAK may take short term loans which are tied directly to fulfilling a specific export order from a buyer. For example, SPEAK may need to rent a barn for the collection of lambs in a specific area. SPEAK may purchase a quantity of feed on order from members and take a loan to purchase the feed for storage and sale. Wherever possible, SPEAK will involve private

traders to assume the functions in the collecting of lambs for export and in purchasing feed in bulk for its members.

25. Financial Data and Analysis

Because SPEAK is working on a near cash basis, the association may not go into arrears on debt on behalf of its members. The benefits of SPEAK are to be realized by the members and not by the association.

26. Economic Variability and Risk Management

There are risks but it is the intention that through contracts risk will be assumed by individual producers and traders. For example, death loss of animals in transit will be the responsibility of the owner of record at the time of death. Animals on the farm are responsibility of the producer. Animals in transit between farm and the collection point will depend on the contract developed by SPEAK for its members. At no time will SPEAK take ownership of lambs.

SPEAK will have to indemnify itself against lawsuits resulting from producers who have not complied with the stated health protocols of the Sharri Prime Lamb program. This issue will have to be resolved during contract negotiations.

27. Contingency Plan

Lambs marketed under the SPEAK plan that do not make the grade once they have left the farm will have to be disposed in the most convenient methods. Animals found to be sick or not passing health standards will be disposed of at the owners own costs.

Lambs which do not make the Sharri Prime Lamb specifications and which are healthy will be sold in the domestic market at the prevailing local price and fees deducted for the special handling of these carcasses.

IMPLEMENTATION

28. Research and Development Plan

SPEAK will work closely with the KVFA on the proper health prevention program and certification for the export market. The Kosovo Veterinary Lab will be a partner in setting up testing of lambs for export.

SPEAK will establish partnership with the University of Phristina and the animal scientist on good sheep management practices.

SPEAK will research wool markets for its members to alleviate the problem of low prices for wool

29. Development Plan

SPEAK with assistance from KCBS-USAID will work on developing the producer-membership base of the association. New flocks will be registered, and producers signed up as members. SPEAK will be active in educational seminars to improve the capacity of its members to understand the role of SPEAK and to be active in their municipality to educate key decision-makers about the importance of the sheep industry.

OTHER

30. Exit and Reorganization Plan

At the end of the KCBS-USAID project funding, it is expected that SPEAK will be self-sustaining in both the level of membership and the volume of exports allowing for needed revenues to support the associations activities. KCBS-USAID will maintain a position of advisor and each year will shift more of the responsibilities of management to the SPEAK general manager.

SPEAK will continue to investigate opportunities for building alliances with buyers in Kosovo as well as outside the country. Efforts will be undertaken to have lambs slaughtered on contract with local slaughter plants and product exported as chilled carcasses or packaged meats.

SPEAK will be interested in developing profitable activities for producers in the feed supply, milk marketing and wool marketing.

31. Supporting Documents

Proposed training documents

Letters of intent to purchase SPEAK lambs

ANNEX VIII: Progress Booklet (2005/2006)

SHARRI LAMB EXPORT INITIATIVE

LEVEL 0 ACTIVITIES

0.1. Lamb Export Producer Groups

- 0.1.1. 80 sheep producers divided into 5 groups with a lead farmer (LF) for each group
- 0.1.2. Regular communication to the groups by way of lead farmers

LEVEL 1 ACTIVITIES

1.1. Good Animal Husbandry Practices for lamb producer groups

- 1.1.1. Training Sessions – lead farmer (LF) and participating farmers (PF)
- 1.1.2. Technical Information
- 1.1.3. Brochures
- 1.1.4. Video
- 1.1.5. Recordkeeping
- 1.1.6. Cross reference to 2.41 on baseline

1.2. Export Market Development

- 1.2.1. Trade links with Macedonia Slaughter Plants
- 1.2.2. Trade links with Bosnia-Herzegovina Slaughter Plants

1.3. Media and Communication Program

- 1.3.1. Press Releases
- 1.3.2. Fact Sheets to Key Decision-Makers
- 1.3.3. Video and B/W film on key participants
- 1.3.4. Newspaper, radio and t.v.

1.4. Industry – Government Alliances

- 1.4.1. Chamber of Commerce Initiatives (Kosovo, BiH, Macedonia)
- 1.4.2. Roundtable meeting of key stakeholders
- 1.4.3. Kosovo business partnerships (Delfin, traders, others)

1.5. Government Protocols

- 1.5.1. KVFA vet assistance
- 1.5.2. Private vet assistance
- 1.5.3. Macedonia vet service
- 1.5.4. Bosnia vet service
- 1.5.5. EU- Brussels communiqué
- 1.5.6. I&R of sheep flocks
- 1.5.7. EU/UNMIK for support
- 1.5.8. USDA APHIS assistance
- 1.5.9. EAR

LEVEL 2 ACTIVITIES

2.1. Logistics

- 2.1.1. Traders
- 2.1.2. Euro Sharri
- 2.1.3. Truck haulers
- 2.1.4. Holding areas/collecting points
- 2.1.5. Financing and transfers of funds
- 2.1.6. Contract procedures
- 2.1.7. Pricing information

2.2. Domestic Market Development

- 2.2.1. Market promotion for HRI
- 2.2.2. Market promotion for retail trade
- 2.2.3. Consumer surveys
- 2.2.4. Focus Group

2.3. Brand Development

- 2.3.1. Sharri brand specifications (wt., carcass size, fat cover, rib eye)
- 2.3.2. Definition and acceptance of grade and condition (prime, 1st, 2nd, 3rd)
- 2.3.3. Pictures and handout

2.4. On-farm Applied Research

- 2.4.1. Baseline on the performance of sheep performance (university students)
- 2.4.2. Improved animal husbandry
- 2.4.3. Facility improvements
- 2.4.4. Feeds and feed rations
- 2.4.5. Breed selection for Sharri lamb program

2.5. Liaison with NGOs and USAID

- 2.5.1. LOL in Macedonia on Sheep Development
- 2.5.2. LAMP project in BiH
- 2.5.3. Albania Chemonics – Roman

LEVEL 3. VALUE-ADDED PROCESSING FOR EXPORTS

3.1. Approval of slaughter facilities for export

3.2. Export market development of meat

3.3. Export of value-added meats, processed

3.4. Wool marketing

3.5. Sheep milk products and marketing

PROGRESS AGAINST ACTIVITIES

LEVEL 0 ACTIVITIES

0.1.1. Lamb Producers

Formation has occurred and lead farmer (LF) identified. Still a loose group.

Gursel Arifi (GA) will plan publications and training programs for Sharri Prime Lamb program.

Efforts need to start immediately in March for having ewes bred for Christmas-New Year market window.

0.1.2. Regular Communications Among Lamb Producers

This activity would benefit from Skandar's small grants to groups for networking.

Based on discussions with LoL get producers to be engaged directly in price negotiations for their lambs.

LEVEL 1 ACTIVITIES

1.1. 1. Training Sessions – Lead Farmer (LF) and PF

Plan to have on-farm demonstrations at the LF for the PF.

Need to have workshops on Sharri Prime Lamb program and the Christmas – New Year market window.

1.2.1. Trade links with Macedonia Slaughter Plants

Phone conversation with Gostivar slaughter house. They bought lambs at Christmas for Italy market at €3.50/kg. They are waiting on the EU inspectors to visit the plant Feb 25th. Not sure what their purchasing levels will be for Easter. We need to find other plants in Macedonia.

Put in the names of the other slaughter plant/exporters in Macedonia with phone numbers from LoL booklet. Contact them to begin to explain the program.

1.5.1. KVFA

Need to get information on the campaigns which have taken place by KVFA, and if they occurred in the export lamb compartment.

- 2000 Brucella survey (26 municipalities – 12,000 hd)
- 2001 Brucella survey programme (7 municipalities – 60,000 hd)
- 2002 Anthrax vaccination (7 municipalities – 13,000 hd)
- 2003 Anthrax vaccination (7 municipalities – 13,000 hd)
- 2003 Blue tongue survey (7 municipalities)
- 2003 Cattle and sheep serum created (3,183)
- 2004 Sheep brucella survey (30 municipalities – 8750 heads)
- 2004 Blue tongue control and rapid alert programme
- 2005 Sheep brucella survey (30 municipalities – 8750 head)

2/2/06 Meetings with Besfort on the progress of lifting of the campaign. He is checking with Dr. Kibase on a meeting.

2/8/06 Macedonia and Kosovo vets met in Skopje – minutes of the meeting need to be prepared.

1.5.4. Bosnia Vet Service

Key people are:

Dr. Jozo Bagaric, Director of State Veterinary Office

Jozo.bagaric@vet.gov.ba

Dr. Nihad Fejzic, Deputy Director of State Veterinary Office

Nihad.fejzic@vet.gov.ba

No contact has been made with vets in BiH as waiting on response from Lijanovici on their participation.

2/4/06: email sent to Dr. Nihad Fejzic about possible meeting in Sarajevo in next couple of weeks.

2/12 – 2/15 Visit to Bosnia. Notes need to be prepared and kept on file.

1.5.5. EU – Brussels

Conflicting information received and the impact of rule 10.2 to not allow lambs to enter Macedonia. This is being questioned by letter of Dec. 2006 which allow Kosovo to export meat to the EU.

1.5.6. I & R Sheep Flocks

Email sent to Miguel to present idea for proposal for EAR funding for I&R of selected sheep flocks participating in the export lamb program. Waiting on reply. Reply received on 1/26/06 and will proceed with the proposal due on 1/1.

Proposal was submitted to Miguel and KVFA and waiting on approval.

1.5.8. USDA APHIS

Emails sent to Ken Waldrup and Linda Logan to advise on the health regulations and testing for export of lambs.

Contact was made with vet at CSU which identified key persons in BiH.

1.5.9. EAR Agencies

Ross Bull was consulted on the lamb program and he is supportive.

Brian Milton, Marketing Support Project, Prishtina, Kosovo.

381-38-248-938

f. 381-38-245-940

mobile: 377-44-433-369

email: bmilton@indigo.ie

Need to meet and discuss with Brian aspects of lamb marketing program for Kosovo and the promotion of lamb.

1/2/06: email sent to Brian about possible meeting date.

2/7/06 Meeting with Brian Milton and Max on collaboration. Marketing concept paper was written and submitted. See Annex.

1.5.10. UNMIK

Pillar Four

Dr. Andreas Wittkowsky, Head, Economic Policy,

Ph. 381-38-504-604 ext. 566

Peter Oldham, trade specialist, need to see him on Brussels contacts and removing the restrictions.

2/6/06 Met Peter Oldham and discussed export issues. Peter met with Dr. Kibase which helped to open up dialogue. Other persons of interest is Palo Netasse of UNMIK.

LEVEL 2 ACTIVITIES

2.1. Logistics

2.1.1. Traders

One trader in Dragash has been identified and signed contract. Other traders need to be arranged if the markets open.

2.1.3. Truck Haulers

Traders will provide their own funding for collecting lambs. Animals have to be weighed and tagged before entering the truck. Macedonia is requiring lambs to be less than 20 kg liveweight. The weight range needs to be increased.

2.1.4. Holding Areas

Livestock collection will be directly from the farm to truck to slaughter plants.

2.1.5. Financial Transfers

Not sure how money flows will happen. Producers will be paid for their lambs at time of pick-up of animals on the farm.

2.1.6. Contract Procedures

A contractual understanding has been reached with the Dragash trader. The contract arrangements have not been set with Lijanovici except on weight range and two tier pricing system.

2.1.7. Pricing Information

In the LoL meeting prices were estimated but not set yet for Easter period. Macedonian farmers will not take less than €2.00/kg liveweight.

2.2. Domestic Market Development

2.2.1. Market Promotion for HRI

Will work with the restaurant on road to Ferazai. Include in MSP proposal

2.2.2. Market promotion for supermarkets

See MSP proposal.

2.2.3. Consumer survey

See MSP proposal

2.2.4. Focus Group

See MSP proposal

2.3. Brand Development

2.3.1. Sharri Lamb Specifications

This needs to be clarified with Macedonian vet service and the slaughter houses. Macedonia is stating that lambs above 20 kg will cause the whole truck to be returned to Kosovo. Strange.

Lijanovici will bring its own person from BiH to grade the lambs.

2.3.2. Grade and Condition of Livestock

Needs to be developed and GA needs to do trainings and get a publication done.

2.3.3. Pictures and Handouts

See 2.3.2. above.

Pictures of carcasses were taken on sheep farm in Lipyan.

2.4. On-Farm Applied Research

2.4.1. Baseline

GA is working on the spreadsheet

2.4.3. Facility Improvement

Requires training and loans to farmers to make improvements. Nothing done yet.

2.4.4. Feeds and Feeding

GA is working on this in 2006.

2.4.5. Breed Selection

Discussion held with university professor but nothing concrete at this time.

2.5 Liaison with NGOs and USAID

2.5.2. LAMP project in BiH

Emails to Brian Fahey (bfahey@usaidlamp.ba) in Bosnia on info for vet service. He provided www.gov.vet.ba. Other contacts are Armin Kloeckner (akloeckner@usaidlamp.ba), Dennis Zeeldyk and awanous@usaidlamp.ba

LEVEL 3 ACTIVITIES – VALUE-ADDED PROCESSING FOR EXPORTS

3.1. Approval of slaughter facilities

Approval of slaughter houses for export is a long term venture but need to begin to do assessments. Two facilities need to be examined in 2006.

3.2. Export market development for meat

Communication started with LoL on collaboration with project in Greece for value-added meat products. GA will need to follow up on this.

Look at value-added meats in the Kosovo market that might stimulate the export marketing of meat.

3.3. Export of value-added meats

Not likely to begin until later this year.

3.4. Wool marketing

Contact person in England will be approached about linking with SPEAK producers.

3.5. Sheep milk products and marketing

This is an activity that can begin after consultation with the milk processing specialist. Macedonia is sending 25 mt of milk daily to Greece for feta cheese production.

A work plan can begin to involve milk processors in Prizerin.